



# **Fairfax County Internal Audit Office**

**General District Court  
Procurement Card Audit  
Final Report**

**May 2010**

*"promoting efficient & effective local government"*

# Executive Summary

We reviewed the General District Court procurement card program, which consisted of nine cards at the time of our review. The audit population included 202 transactions totaling \$53,905 that occurred during the period of November 1, 2008, through October 31, 2009.

Our review of procurement cards revealed that internal controls were adequate. Internal control procedures were well documented, a well designed separation of duties was in place, and the General District Court generally appeared to be in compliance with internal controls outlined in the county Procedural Memorandum (PM) 12-02. However, we noted the following exceptions where controls needed to be strengthened:

- Among nine procurement cards, five were not used for purchases during our audit period, and three cards had limits that were not found to be in line with card usage.
- In several instances, purchases were not logged into the transaction log.

## Scope and Objectives

This audit was performed as part of our fiscal year 2010 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit covered the period of November 1, 2008, through October 31, 2009, and our audit objectives were to determine if the department:

1. Had developed written internal procedures in accordance with PM 12-02.
2. Followed the county rules and procedures for the use of procurement cards.
3. Had adequate internal control procedures in place and that these procedures were being followed by cardholders.
4. Transactions were reasonable, in line with policy, and did not appear to be fraudulent.

## Methodology

Audit methodology included a review and analysis of internal control procedures, procurement card expenditures and related accounting records of the department. Our audit approach included an examination of procurement card expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county PM 12-02 *Use of the County Procurement Card*. Information was extracted from the procurement card management system for sampling and verification to source documentation during the audit; however, our audit did not include an independent review of the system controls. Our transaction testing did not rely on system controls; therefore, this was not a scope limitation.

# Findings, Recommendations, and Management Response

## 1. Card Limits

An analysis performed on card limitation controls for the General District Court's cards for the period November 2008 through October 2009, revealed that the monthly spending limits were set higher than the actual usage for eight out of nine cards. In addition, among these eight procurement cards, five of them had no transactions for this period and a monthly credit limit of \$10,000. We were told that four of these five cards were designated for travelling and one card was designated for emergencies. The emergency card could be used for emergency purchases or used as a substitute for a regular card if the regular card became compromised or lost/stolen. Additionally, the other three cards had a monthly credit limit of \$10,000 and the highest monthly spending during our audit period was \$1,555.

The county has limited dispute rights for fraudulent charges on work group cards and agencies are liable for fraudulent charges until such cards are reported to the bank as lost or stolen. Setting the procurement card limits higher than necessary increases the county's exposure in the event the card is lost, stolen or improperly used by a county employee.

**Recommendation:** We recommend the General District Court review procurement card usage and determine appropriate limits for each procurement card. The limits for each card should then be set accordingly, based on actual usage and needs.

The General District Court should reduce or eliminate the number of unused cards to minimize the risk of loss or theft.

**Management Response:** The agency has reduced the number of unused cards by four, leaving a total of five useable cards. The agency has also adjusted limits based on actual usage and needs of the five remaining cards.

## 2. Transaction Logs

The card activity log was not a complete reflection of the department's procurement card spending. We noted that four of 35 transactions tested were either not accurately recorded or were completely omitted from the transaction log. Among the four transactions, two were from a procurement card under the agency director's name and no transaction log was maintained to track the card's spending.

Procedural Memorandum 12-02 indicates that a system that tracks expenditures as they occur must be in place. Agencies may use an appropriate manual or computer log to record both debit and credit transactions. Entries must be contemporaneous to give up-to-date information on funds expended and the applicable card user.

**Recommendation:** We recommend the General District Court maintain a transaction log which accurately reflects all procurement card activity to ensure that the card use is properly monitored. In addition, the General District Court should start tracking purchase transactions from the procurement card under the agency director's name on a log. Since this card is assigned to only one individual, the user sign in/out column need not be included.

**Management Response:** The procurement card logs will be modified to include the approver's signature and business purpose. A procurement card log will be created for the agency director. The new logs have been created and implementation will occur effective May 3, 2010.